

BEFORE THE SECURITIES AND EXCHANGE COMMISSION

In the Matter of:)
) File No. NY-7999
THE RESERVE FUND)

WITNESS: DAVID LENTINELLO

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PLACE: Room 416
Securities and Exchange Commission
Three World Financial Center
New York, New York 10281

DATE: February 26, 2009

The above-entitled matter came on for investigation, at 10:37 a.m.

1 A. No.

2 Q. Did you ever have occasion to speak
3 to the Board of Trustees in any formal
4 meeting?

5 A. Never.

6 Q. Do you know what a snapshot report
7 is?

8 A. Yes, I do.

9 Q. What is a snapshot report?

10 A. A snapshot report is a report that I
11 developed, which has a number of funds on it.
12 And it illustrates the net asset value of
13 those funds in addition to -- basically it
14 illustrates the net asset value of the funds
15 on a daily basis.

16 Q. What was the genesis of the snapshot
17 report?

18 A. It would give the Bents, Pat Farrell
19 a portfolio, a daily illustration of the NAVs
20 of the funds, the net assets of the funds, the
21 shares outstanding of the funds as an
22
23 indication of, you know, where the assets are
24 on a given basis.

25 Q. Was there a particular fund or an

1 issue relating to a particular fund that lead
2 to your creating this snapshot report?

3 A. Well, the snapshot report evolved
4 over a period of time. It definitely evolved
5 almost week by week depending on what the
6 Bents wanted to see on there or what Pat
7 wanted to see on there or any situation that
8 might have come up.

9 Q. Did the snapshot report include any
10 reference to an enhanced cash fund?

11 A. One of the funds on the report was
12 enhanced cash fund, that was the first fund
13 that was listed.

14 Q. When you say "first fund that was
15 listed," do you mean in order on the report or
16 do you mean that was the first fund for which
17 a snapshot report was created?

18 A. That was the first column, that was
19 the first fund in that first column where you
20 would see.

21 Q. Was it also one of the funds that was
22
23 included in the snapshot report when you first
24 created the snapshot report?

25 A. Yes.

1 Q. And did the snapshot report indicate
2 any support that would be needed for the
3 enhanced cash fund to maintain a dollar NAV?

4 A. Yes.

5 Q. How did the snapshot report indicate
6 that?

7 A. There was one line item that read,
8 "Receivable from RMCI." There was an amount
9 in there on a daily basis.

10 Q. And did you understand there to be
11 some kind of agreement between the enhanced
12 cash fund and RMCI relating to that
13 receivable?

14 A. I'm not familiar with that agreement.

15 Q. Do you have any understanding as to
16 whether it was RMCI or RMC?

17 Let me start with this, do you know
18 if there is any distinction between RMCI and
19 RMC?

20 A. No, I don't.

21 Q. Do you know what RMC is?

22
23 A. Reserve Management Corp.

24 Q. Do you know what RMCI is?

25 A. Reserve Management Corp. Incorporated.

1 Bent II.

2 A. Bruise Bent II made the phone call to
3 me.

4 Q. Was anybody else on that phone call?

5 A. I believe there was. I recall him
6 saying that my father is on the phone and
7 Arthur.

8 Q. Arthur being his brother?

9 A. Yes.

10 Q. Was anybody else on the call?

11 A. No.

12 Q. Now, you described earlier the
13 message communicated on that call, as best you
14 can, can you tell me anything specific that
15 Mr. Bent II -- well, let me start with this,
16 did anybody speak other than Mr. Bent II on
17 that call?

18 A. No.

19 Q. Can you describe please with as much
20 specificity as you can any specific things
21 that Mr. Bent communicated to you on that
22
23 call?

24 A. Bruce II, you mean?

25 Q. Bruce II?

1 A. Well, he basically wanted that
2 receivable to be booked.

3 He wanted -- first he looked at the
4 report and was kind of -- he wasn't sure how
5 come it wasn't calculated at that point in
6 time.

7 And he says I want the receivable
8 calculated like on enhanced cash, I want it
9 calculated for yield plus and international
10 liquidity.

11 And I said what -- oh, okay, because
12 I had no idea what he was referring to at that
13 point in time, but -- because that amount, as
14 I explained to him, that amount is calculated
15 at the end of the day.

16 Once we know what the market value
17 is, that is the last thing that's calculated
18 on those funds.

19 He goes okay, whatever, just have
20 State Street book the receivable, Dave, we do
21 not want the funds to break a buck tonight.

22
23 We want the funds to be at a dollar just like
24 on enhanced cash.

25 And that's what he said specifically.

1 Q. Did he use the words "book a
2 receivable?"

3 A. Have State Street book the
4 receivable. Do what you normally do,
5 basically was what his gist was.

6 "Do what you normally do like on
7 enhanced cash."

8 Q. I understand the gist, and I just
9 want to be as specific as we can,
10 distinguishing any impression you had from the
11 basis for that impression.

12 Was it your impression that Mr. Bent
13 II wanted a receivable booked, but he didn't
14 say so or did he specifically communicate to
15 you that he wanted a receivable booked at some
16 point on the 15th for enhanced cash and
17 international liquidity?

18 A. He specifically said that he wanted
19 that receivable booked to maintain the NAV at
20 a dollar.

21 And then to clarify that, if there
22
23 was any subject to interpretation, we want the
24 funds to be at a dollar tonight. We don't
25 want the funds to break a buck.

1 Q. Now, when you said earlier that you
2 had no idea what he was talking about, were
3 you referring to the fact that there was no
4 way to compute an end of day number before the
5 end of the day?

6 A. Yes, correct. And before he called
7 me I didn't know -- like when I sent him the
8 snapshot report, I didn't know that was his
9 intention for me to calculate the receivable,
10 because no one before that told me to
11 calculate a receivable for those funds.

12 Q. Did you have any understanding at the
13 time Mr. Bent spoke with you whether he was
14 also indicating to you that he wanted to make
15 sure a receivable was booked for primary fund,
16 if a receivable was necessary to support a
17 dollar NAV?

18 A. He didn't mention primary.

19 Q. Did he specifically mention yield
20 plus?

21 A. Yes.

22
23 Q. International liquidity?

24 A. Yes.

25 Q. Did you communicate the substance of

1 your call with the Bents to Pat Farrell on the
2 15th?

3 A. Yes, I did.

4 Q. Did he ask you any questions about
5 the general receivable issue on the 15th?

6 A. No.

7 Q. Did you communicate with anybody else
8 other than the Bents, Mr. Farrell and State
9 Street about any potential receivable for
10 yield plus, international liquidity?

11 A. I mentioned it to my team when --
12 after Bruce called -- after Bruce called I
13 went out to my team, I had three people
14 reporting into me.

15 And I mentioned it to them. I said
16 tonight we're going to be - Bruce wants State
17 Street to book a receivable to support the
18 funds.

19 And I remember saying that it's going
20 to be close to \$15 million. And I said I was
21 just in awe by that.

22
23 Q. Who is this team you are referring
24 to?

25 A. John Plange, Reepal Shah, R-E-E-P-A-L

1 S-H-A-H, Stephanie Luisi and Lana Benjamin.

2 MR. OSNATO: At that point in time,
3 what steps did you take to arrive at your
4 estimate of approximately \$15 million?

5 THE WITNESS: Well, I know how to --
6 I know the calculation that goes into booking
7 that receivable from RMCI, because we've done
8 it before on enhanced cash on a daily basis.

9 So what I did was I prepared a
10 worksheet. And I basically gave like a rough
11 estimate of what the NAV was at that point in
12 time, and then I sent it to State Street and
13 then I subsequently called State Street, Darin
14 McGinnis, who is like my peer, he's an
15 accounting manager at State Street, and
16 instructed him this is what the Bents
17 intention is to support the NAVs tonight.

18 And at the end of the tonight you are
19 going to calculate what that receivable
20 should, be based on my worksheet, and then you
21 are going to book the two additional
22
23 receivables, there was already a receivable on
24 enhanced cash already.

25 Q. Did you at some point communicate to

1 the Bents what the receivable turned out to
2 be?

3 A. The following day I sent out my
4 snapshot report and there was one line on
5 there, a receivable from RMCI. And that
6 amount was on that row.

7 Q. How did you learn the information
8 that was needed to update your snapshot
9 report?

10 A. We received the reports from State
11 Street on a daily basis.

12 Q. And did that report indicate to you
13 the amount of a receivable that was needed to
14 keep the yield plus, international liquidity
15 funds at a buck?

16 A. Yes, yes.

17 MR. OSNATO: To go back to the
18 discussion you recall having with members of
19 your team in which you laid the intention to
20 book a receivable, how soon after your
21 discussion with Mr. Bent II did you inform
22
23 your team about the receivables?

24 THE WITNESS: Minutes.

25 MR. OSNATO: And did you simply